

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 PM-04 NSC-05 SS-15

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 8336

INFO AMEMBASSY JIDDA

C O N F I D E N T I A L CAIRO 14797

E.O. 11652: GDS

TAGS: MASS, EINV, BEXP, EG

SUBJ: AMC VEHICLE SALES AND POSSIBLE CO-PRODUCTION IN EGYPT

1. AMERICAN MOTORS CORPORATION (AMC) REP TOD CLARE MET WITH AMBASSADOR, ACTING DEFATT AND COMLATT AFTERNOON OCTOBER 28 TO REPORT THAT HE HAD JUST SIGNED CONTRACT WITH EGYPTIAN MILITARY AUTHORITIES FOR SALE OF 2,200 JEEPS. VALUE OF TRANSACTION APPROXIMATELY \$15 MILLION.

2. CLARE SAID THAT AFTER NEGOTIATING DETAILS OF SALE AND SIGNING CONTRACT, HE WAS ASKED TO SIGN SEPARATE PAYMENT AGREEMENT REQUIRED BY SAUDI ARABIAN MONETARY AUTHORITY WHICH WAS PROVIDING THE FUNDS FOR PURCHASE OF JEEPS. PURPOSE OF SEPARATE PAYMENT AGREEMENT WAS TO PREVENT EGYPTIANS FROM MAKING "FRIVOLOUS" ADDITIONS, SUCH AS CARS, TO BASIC CONTRACT FOR MILITARY VEHICLES. CLARE WILL HAVE TO RETURN TO EGYPT NEXT WEEK, BRINGING WITH HIM FINANCIAL OFFICER OF COMPANY, IN ORDER TO SIGN THE SEPARATE AGREEMENT REQUIRED BY SAMA.

3. AMBASSADOR NOTED THAT GENERAL GAMASSY HAD TOLD HIM HE WANTED TO PURCHASE AN ADDITIONAL 3,000 JEEPS, BUT
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WOULD NEED " FACILITIES" - SOME WAY OF FINANCING THE

PURCHASE. CLARE SAID EGYPTIANS HAD ALSO RAISED THIS MATTER WITH HIM. HE IN TURN HAD CONSULTED LOCAL OFFICE OF CHASE MANHATTAN, AND HAD BEEN TOLD THAT FINANCING ARRANGEMENT COULD PROBABLY BE WORKED OUT IF EGYPTIAN CENTRAL BANK WOULD GUARANTEE LOAN TO MILITARY AUTHORITIES OR BETTER STILL IF SAMA WOULD GUARANTEE IT. CLARE WILL PURSUE SALE OF ADDITIONAL 3,000 WHEN HE RETURNS TO EGYPT NEXT WEEK. CLARE LATER SAID HE WAS VERY GLAD AMBASSADOR HAD MENTIONED GAMASSY'S CONVERSATION WITH HIM, AS IT WAS EVIDENCE OF STRENGTH OF GENERAL'S INTEREST IN OBTAINING ADDITIONAL VEHICLES.

4. CLARE ALSO REFERRED TO JOINT-VENTURE ARRANGEMENT AMC CURRENTLY PURSUING WITH ARAB INDUSTRIAL ORGANIZATION FOR PRODUCTION OF JEEPS. AFTER NUMEROUS DELAYS ON EGYPTIAN SIDE, CLARE EXPECTS GET FINAL APPROVAL FOR PROJECT WITHIN THREE WEEKS. PLANT WOULD BE BUILT IN ALEXANDRIA AND AMC EXPECTS FIRST VEHICLE TO COME OFF ASSEMBLY LINE WITHIN ELEVEN MONTHS AFTER PROJECT APPROVAL GIVEN. PRODUCTION IN THIRD YEAR EXPECTED TO BE 10,000 UNITS.

5. CLARE ALSO PROVIDED DURING CONVERSATION, REVIEW OF PREVIOUS JEEP SALES TO EGYPT: 1974: 1,050 TO MILITARY AND 350 TO MINISTRY OF INTERIOR; 1975: 2,000 TO MILITARY.
EILTS

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